



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release
Wednesday, July 9, 2003

Grassley Urges Dedication of Proposed Nursing Home Dollars to Resident Care
Senator to Hold Oversight Hearing on Nursing Home Quality

WASHINGTON -- Sen. Chuck Grassley, chairman of the Committee on Finance, is urging the Health and Human Services Department to direct nursing homes to use a proposed \$6.9 billion federal windfall over 10 years to improve direct patient care. Grassley also will convene and chair a hearing next week to assess the state of nursing home quality of care.

"If nursing homes are getting more money, I expect them to use that money to improve patient care," Grassley said. "That means not using the money to increase profits, or double the administrator's salary. Nursing homes already get billions of tax dollars. They also get a lot of the residents' own dollars. Unfortunately, quality of care is too often poor. More money should result in better care. It's as simple as that."

This week, Grassley sent a letter to Health and Human Services Secretary Tommy Thompson urging the Administration not to implement a payment increase for nursing homes of \$6.9 billion over the next 10 years without directing the nursing homes to use the additional payments for direct care services to nursing home residents. The Administration has proposed an administrative rule that would adjust nursing home payments to allow the increase. Grassley's letter came after he talked with Thompson last month and expressed his interest in making sure any additional money goes to patient care.

Next week, Grassley will convene a Finance Committee hearing on the quality of care in nursing homes nationwide. The hearing -- on Thursday, July 17, 2003, at 10 a.m., in 215 Dirksen Senate Office Building -- will feature the release of a new General Accounting Office (GAO) report that Grassley requested. The report will analyze the level of improvement in nursing home quality of care since Grassley began an aggressive campaign to improve care in 1998, leading to the Health and Human Services Department mounting a quality initiative. Grassley has invited Tom Scully, director of the Center for Medicare and Medicaid Services, to testify on the state of improving quality of care, especially related to the enforcement system, which Grassley and the GAO repeatedly have targeted for improvement.

The text of Grassley's letter to Thompson follows.

July 7, 2003

The Honorable Tommy Thompson
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

Re: Comments on the June 10, 2003 Proposed Rule for the Medicare Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities-Update

Dear Secretary Thompson:

I write to comment on your proposed rule, which considers an adjustment to the annual update for skilled nursing facilities (SNFs) that would account for forecast errors. My understanding is that this would result in increased payments to these facilities of \$450 million in FY 2004, \$2.9 billion over five years, and almost \$6.9 billion over the next ten years. While there may be agreement among actuaries and some analysts that such an adjustment is warranted to account for past forecast errors in the payment rates, and that the Centers for Medicare and Medicaid Services (CMS) currently makes this type of adjustment in other existing payment systems, I have several concerns about adopting such a mechanism.

I strongly agree with the statement on page 34769 that "it is absolutely essential that the adjustment be applied uniformly--not only in those instances where the forecasted percent change is lower than the actual percent change..., but also in those instances where the forecasted percent change is higher than the actual percent change." I am concerned, however, that SNF providers do not fully recognize the possible downward effect this policy could have on future payments, which could result in a net decrease in payment rates. As you state, this policy of uniformity, which I support, would introduce significant uncertainty into the prospective payment system, making it very difficult to plan for future activities.

Secondly, the correction for forecast error should be applied uniformly to all prospective payment systems throughout Medicare where the agency has the authority to do so. I understand that this authority exists for some prospective systems, but not for others. Consequently, if this adjustment is made to skilled nursing facilities' prospective rates, it should be applied to other payment systems in a uniform manner. I look forward to your assessment of the agency's authority in this area with respect to other prospective payment systems.

Finally, I object to such an adjustment, which would substantially increase SNF payments, without a strong commitment from CMS to direct skilled nursing facilities to use the additional payments for direct care services provided to nursing home residents. Specifically, I expect CMS to devise and implement a plan to improve quality, beyond the agency's current initiatives, through more aggressive direction and evaluation relying on guidance and instructions to monitor how the additional payments are being used by SNFs to improve direct patient care.

Thank you for the opportunity to comment on this proposed rule.

Sincerely,

Charles E. Grassley
Chairman

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